



The Debt Settlement Company Scam

If you find yourself mired in credit card debt or other kinds of debt, you may be tempted to hire the services of a debt settlement company. Debt settlement companies promise to free you from your financial woes by negotiating reduced payoff amounts with your creditors. The truth is, these companies cannot do anything to help you that you could not do yourself for free.

Debt settlement companies claim they can arrange deals with creditors, especially credit card companies, to satisfy consumer debts at reduced amounts. Once you have given them your money, they typically advise you to quit paying your monthly credit card bills and instead make monthly payments into an escrow account to accumulate a lump sum (supposedly to make your final payment). They also tell you that they will negotiate with your creditors and convince them to accept partial payment in full satisfaction of the amount you owe.

What really happens is that these companies take your money and often leave you even deeper in debt. Typically, if you sign up for a company's services, the first thing the company will do is charge you several **non-refundable** fees. These include a hefty up-front fee (often 10-15 percent of your total debt), fees to set up escrow accounts, and, in many cases, a monthly "maintenance" fee. Meanwhile, if you do as advised and quit paying your creditors, late charges and finance charges will begin to add up, and your interest rates can increase to much higher penalty rates. To top it off, many credit card companies simply refuse to work with debt settlement operations and instead choose to sue the cardholder for the balance due.

Giving a debt settlement company your hard-earned money is **not** a good idea. If you feel you need help managing your credit card debt, please consider these better alternatives:

- Contact your credit card companies directly to see if they offer repayment programs for consumers struggling to repay their debts. Some credit card companies offer these programs.
- Talk to a reputable credit counselor. To find a legitimate credit counselor in your area, consult the National Foundation for Credit Counseling at www.nfcc.org or 1-800-388-2227. Also, make sure that the company and its credit counselors are licensed, as required by Illinois law. To check whether a credit counselor is licensed, visit the Web site of the Illinois Department of Financial and Professional Regulation at www.idfpr.com/dfi/ccd/licensees/Debt_Management_Licensees.HTM.
- Consider consulting with a bankruptcy attorney. Contact your local legal aid office to find out if you qualify for their services at a reduced cost.

Remember—before dealing with any type of credit counseling firm, check their record with the Better Business Bureau. You can also check with the **Illinois Attorney General's Consumer Fraud Bureau by calling 1-800-243-0618 (TTY: 1-877-844-5461).**



Illinois Attorney General Consumer Fraud Hotlines

Chicago

1-800-386-5438

TTY: 1-800-964-3013

Springfield

1-800-243-0618

TTY: 1-877-844-5461

Carbondale

1-800-243-0607

TTY: 1-877-675-9339

Homeowner Helpline

1-866-544-7151 (Voice/TTY)

ID Theft Hotline

1-866-999-5630

TTY: 1-877-844-5461

Español: 1-866-310-8398

www.IllinoisAttorneyGeneral.gov